

HOUSE BILL REPORT

2SSB 6326

As Reported by House Committee On:
Higher Education & Workforce Education
Appropriations

Title: An act relating to providing a source of funding for customized work force training.

Brief Description: Providing a source of funding for customized work force training.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Shin, Rasmussen, Pflug, Doumit, Rockefeller, Weinstein, Pridemore, Hewitt, Jacobsen, Thibaudeau, Swecker, Sheldon, Oke, Keiser, Kohl-Welles, Franklin, Kline and Berkey).

Brief History:

Committee Activity:

Higher Education & Workforce Education: 2/23/06 [DP];
Appropriations: 2/25/06, 2/27/06 [DPA].

**Brief Summary of Second Substitute Bill
(As Amended by House Committee)**

- Allows participating employers to receive a business and occupation tax credit for 50 percent of their customized training cost.

HOUSE COMMITTEE ON HIGHER EDUCATION & WORKFORCE EDUCATION

Majority Report: Do pass. Signed by 8 members: Representatives Kenney, Chair; Sells, Vice Chair; Fromhold, Hasegawa, Ormsby, Priest, Roberts and Sommers.

Minority Report: Do not pass. Signed by 4 members: Representatives Cox, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Buri and Dunn.

Staff: Jennifer Thornton (786-7111).

Background:

The Washington Competitiveness Council reported in 2004 that the ability of Washington businesses to remain competitive in a changing environment depends in large part on their ability to hire a well-trained and educated workforce. It recommended accelerating training for new workers, incumbent workers, and displaced workers in high-demand fields, including increasing capacity to provide customized training for businesses.

The state's Job Skills Program is Washington's only state-supported customized employer-based training program. The Job Skills Program is one of the smallest programs of its type in the country; it received \$2.95 million of state funding for the 2005-07 biennium, with a third of that amount directed specifically to the Boeing 787 project. It is administered by the State Board for Community and Technical Colleges (SBCTC). Businesses contribute a dollar-for-dollar cash or in-kind match to job skills funds received for training incumbent and new workers.

Summary of Bill:

The Washington Customized Employment Training Program is created to provide training assistance to employers locating or expanding in the state. The SBCTC administers the program. An Employment Training Finance Account is created in the custody of the State Treasurer and receives a \$5 million appropriation.

Employers apply to the SBCTC for training allowances to cover the costs of training employees. No employer may receive more than \$500,000 per calendar year, nor may they receive more funds per employee than an amount determined by the SBCTC. To qualify, applicants must:

- enter into an agreement with a qualified training institution for customized training;
- pay one-quarter of the training allowance upon completion of the training;
- pay the remaining three-quarters of the allowance within 18 months; and
- employ, in-state in the calendar year after completing training, at least the same number of employees plus 75 percent of the number of trainees as they did the calendar year preceding the start of training.

Employers are allowed to receive a business and occupation tax credit for 50 percent of the value of their payments into the Employment Training Finance Account.

Appropriation: The sum of \$5 million from the State General Fund.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: This bill will provide benefits to workers, including wage progression, will prevent future turnover, give benefits to business, and will help the economy attract and retain new companies. Washington needs to better educate its people to meet the demands of the 21st century. We also need to attract new businesses to Washington to ensure Washington's economic future.

The proposals in this bill have been considered by economists at the University of Washington and at other states' major research institutions, and the consensus is that this idea is a good

one. The bill's proposals have the endorsements of academia at universities, the community and technical colleges, and Washington's business sectors.

This bill will promote new business in this state and will provide approximately 1,600 students per year to satisfy incoming businesses. The state also needs quality jobs. This bill will provide a source to enable workers to get the training they need to have quality jobs and the high levels of compensation that we want them to have.

Washington lags behind the nation in the use of customized training as an economic development resource. Of the 46 states that provide state-funded customized training for business and industry, only one state provides less per capita funding than Washington. The Job Skills Program is Washington's only customized job training resource. By the second month of this biennium, the Job Skills Program will have received over \$1.3 million in grant requests to train over 1,100 workers. These are requests the Job Skills Program is unable to fulfill because the program is already at its capacity.

Testimony Against: None.

Persons Testifying: (In support) Senator Shin, prime sponsor; Jonathan Hayes, Washington Economic Development Finance Authority; Carolyn Cummins, State Board for Community and Technical Colleges; Jim McLaughlin, Lower Columbia College, Joanne Murcar, Community Colleges of Spokane; Amber Carter, Association of Washington Business; and Wes Pruitt, Workforce Training and Education Coordinating Board.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 27 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Buri, Cody, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, McIntire, Miloscia, Pearson, Priest, Schual-Berke, P. Sullivan, Talcott and Walsh.

Minority Report: Do not pass. Signed by 3 members: Representatives Bailey, Chandler and Clements.

Staff: Brian Enslow (786-7143).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Higher Education & Workforce Education:

The revolving loan program for purposes of providing customized employment training, the \$5 million appropriation from the General Fund-State, and the account to receive and expend loan proceeds are removed.

The loan program is replaced with a tax credit under which participating employers may receive a B&O tax credit of 50 percent of customized training costs, up to a maximum of \$500,000 per employer per calendar year, subject to certain criteria regarding the number of employees employed by the employer. The amount of tax credit that may be claimed is limited to \$1.5 million annually. However, an employer may not claim credit under the program if credit is claimed for the same training services under the existing B&O jobs training credit, and vice versa.

The State Board for Community and Technical Colleges must assist in matching employers to training programs.

A participating employer who takes the tax credit must file a survey with the Department of Revenue with employment information. The Department of Revenue must report to the Legislature in December 2015, regarding job creation and related information.

The tax credit expires July 1, 2016.

Appropriation: None.

Fiscal Note: Requested February 28, 2006.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: Skills, knowledge, and creativity are critical requirements for economic development. Washington lags behind the rest of the nation in providing customized workforce training for employers. The goal behind providing customized training is to induce employers to locate or expand their base of employment to the state. The job skills program is a very effective program; however, it is the only customized workforce training program currently funded in Washington, and the demand for this program greatly exceeds available funding.

Testimony Against: None.

Persons Testifying: Carolyn Cummins, State Board for Community and Technical Colleges.

Persons Signed In To Testify But Not Testifying: None.